

DOCKET SECTION
BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED

OCT 10 3 13 PM '97

POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE COMMISSION
Docket No. R97-1
SECRETARY

UNITED STATES POSTAL SERVICE
NOTICE OF FILING ERRATA TO THE DIRECT TESTIMONY
OF WITNESS HATFIELD (USPS-T-16)

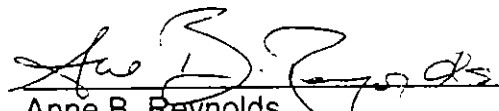
The United States Postal Service hereby provides notice that it is today filing minor errata to USPS-T-16, the testimony of witness Hatfield. In the course of responding to items in POIR 4, witness Hatfield discovered that some changes were necessary to the loose sack container rate distance related cost factor. The modifications to the testimony, to Exhibit A, and to Appendices I and III are detailed in the attached list, and the revised pages are also attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Anne B. Reynolds

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2970; Fax -5402
October 10, 1997

The following list describes the revisions made to USPS-T-16 due to a change in the loose sack container rate distance related cost factor.

Written Testimony, Page 25

Inter-BMC column

Exhibit A, Page 1 of 1

Columns 3, 4, and 5

Appendix I, page 11 of 13

Loose Sack Container Rate, Air Taxi, and Domestic Airmail Percent in Columns 4 and 5, as well as Footnote 2.

Appendix I, page 12 of 13

Base Year Long Distance DR Percentage, Base Year Long Distance NDR Percentage, Test Year Long Distance DR Costs, and Test Year Long Distance NDR Costs in the Domestic Airmail column, as well as the Test Year Long Distance DR Costs and Test Year Long Distance NDR Costs in the Total column

Appendix III, page 6 of 9

Rows 3 and 4, as well as columns 5, 6, 9, 10, 11, and 12.

TABLE III-3
TEST YEAR UNIT TRANSPORTATION COSTS
(ALL FIGURES ARE IN DOLLARS PER CUBIC FOOT)

	Inter-BMC	Intra-BMC	DBMC (Non-DSCF)	DBMC (DSCF)
Local	N/A	\$0.9402	N/A	N/A
Zone 1/2	\$2.1028	\$1.7527	\$0.7006	\$0.3997
Zone 3	\$2.5440	\$1.7527	\$1.5337	N/A
Zone 4	\$3.1938	\$1.7527	\$2.6943	N/A
Zone 5	\$4.2242	\$1.7527	\$4.5374	N/A
Zone 6	\$5.4418	N/A	N/A	N/A
Zone 7	\$7.1001	N/A	N/A	N/A
Zone 8	\$9.8418	N/A	N/A	N/A

Summary of Parcel Post Unit Transportation Costs by Zone
Cost per Cubic Foot by Zone for Each Rate Category

Inter-BMC	[1]	[2]	[3]	[4]	[5]
Zone	Local costs	Intermediate costs	Long distance DR costs	Long distance NDR costs	Total inter-BMC costs
Local	N/A	N/A	N/A	N/A	N/A
1-2	\$0.7815	\$0.9361	\$0.3249	\$0.0634	\$2.1028
3	\$0.7815	\$0.9361	\$0.7631	\$0.0634	\$2.5440
4	\$0.7815	\$0.9361	\$1.4128	\$0.0634	\$3.1938
5	\$0.7815	\$0.9361	\$2.4433	\$0.0634	\$4.2242
6	\$0.7815	\$0.9361	\$3.6609	\$0.0634	\$5.4418
7	\$0.7815	\$0.9361	\$5.3192	\$0.0634	\$7.1001
8	\$0.7815	\$0.9361	\$8.0608	\$0.0634	\$9.8418

Intra-BMC	[6]	[7]	[8]
Zone	Local costs	Intermediate costs	Total intra-BMC costs
Local	\$0.4615	\$0.4788	\$0.9402
1-2	\$0.7952	\$0.9575	\$1.7527
3	\$0.7952	\$0.9575	\$1.7527
4	\$0.7952	\$0.9575	\$1.7527
5	\$0.7952	\$0.9575	\$1.7527
6	N/A	N/A	N/A
7	N/A	N/A	N/A
8	N/A	N/A	N/A

DBMC	[9]	[10]	[11]
Zone	Local / DSCF costs	Intermediate costs	DBMC (non-DSCF) costs
Local	N/A	N/A	N/A
1-2	\$0.3997	\$0.3139	\$0.7135
3	\$0.3997	\$1.1337	\$1.5334
4	\$0.3997	\$1.8768	\$2.2764
5	\$0.3997	\$4.0461	\$4.4457
6	N/A	N/A	N/A
7	N/A	N/A	N/A
8	N/A	N/A	N/A

DDU Cost Avoidance (DSCF costs less DDU costs in \$/cf) **\$0.3337 1/**

Column [1]: Appendix III, page 6, column 7.
Column [2]: Appendix III, page 6, column 8.
Column [3]: Appendix III, page 6, column 9.
Column [4]: Appendix III, page 6, column 10.
Column [5]: Column 1 + column 2 + column 3 + column 4.
Column [6]: Appendix III, page 7, column 5.
Column [7]: Appendix III, page 7, column 6.
Column [8]: Column 6 + column 7.
Column [9]: Appendix III, page 8, column 5.
Column [10]: Appendix III, page 8, column 6.
Column [11]: Column 9 + column 10.
Row 1/: Appendix III, page 9, row 12.

Division of Parcel Post Transportation Costs

Division of Total Parcel Post Costs Into Function (all figures are in thousands)

	(1) Total Parcel Post Transportation Costs	(2) Local Costs ¹	(3) Intermediate Costs ¹	(4) Long Distance - DR Costs ¹	(5) Long Distance - NDR Costs ¹
Domestic Airmail					
Loose sack container rate ²	\$1,217			\$429	\$788
Intra-Alaska preferential	\$1,728		\$1,728		
Intra-Alaska non-pref ³	N/A		N/A		
Intra-Hawaii	\$601		\$601		
Network ⁴	\$51				\$51
Western air ⁴	\$16				\$16
Air taxi ⁵	\$3,539	\$0	\$2,281	\$420	\$838
Total Domestic Airmail	\$7,152	\$0	\$4,610	\$849	\$1,693
Domestic Airmail Percent	100.00%	0.00%	64.46%	11.86%	23.68%
Highway Service					
Intra-SCF	\$37,972	\$37,972			
Inter-SCF	\$14,027		\$14,027		
Plant loaded	\$1,616		\$1,616		
Intra-BMC	\$71,316		\$71,316		
Inter-BMC	\$49,189			\$49,189	
Alaskan highway service	\$1,511		\$1,511		
Contract term van damage ⁵	\$262	\$57	\$131	\$74	\$0
Area bus	\$0				
Empty equipment ⁵	\$546	\$118	\$275	\$153	\$0
Total Highway Service	\$176,439	\$38,147	\$88,876	\$49,416	\$0
Highway Service Percent	100.00%	21.62%	50.37%	28.01%	0.00%
Railroad Service					
Passenger rail	\$433			\$433	
Freight rail	\$30,372			\$30,372	
Plant loaded	\$106		\$106		
Empty equipment ⁵	\$2,790	\$0	\$10	\$2,780	\$0
Total railroad service	\$33,701	\$0	\$116	\$33,585	\$0
Railroad Service Percent	100.00%	0.00%	0.34%	99.66%	0.00%
Domestic Water					
Inland	\$111	\$111			
Offshore	\$4,788		\$4,788		
Total Domestic Water	\$4,899	\$111	\$4,788	\$0	\$0
Domestic Water Percent	100.00%	2.27%	97.73%	0.00%	0.00%

¹Rationale for grouping costs into local, intermediate, and long distance can be found on pages 1-5 of this appendix.

²Alaska Commercial air costs are split between columns 4 and 5 based on terminal handling (64.79%) and linehaul (35.21%) percentages.

³Alaska non-pref air costs have not been included because they are accounted for separately in Ms. Mayes testimony (USPS-T-37).

⁴Network and western air are the only components of long distance transportation cost that are not related to GCD miles.

⁵These accounts are distributed to each cost category based on the distribution of other accounts (see pages 4 and 5 of this appendix for a complete description of how these costs are distributed to each function).

Column [1]: Alexandrovich WP B.14 (base year purchased transportation cost report).

Column [2]: Parcel post transportation costs incurred transporting parcels within the service area of a P&DC.

Column [3]: Parcel post transportation costs incurred transporting parcels within the service area of a BMC.

Column [4]: Parcel post costs that are related to GCD distance, incurred transporting parcels outside the service area of a BMC.

Column [5]: Parcel post costs that are not related to GCD distance, incurred transporting parcels outside the service area of a BMC.

Division of Parcel Post Transportation Costs
Summary of Test Year Transportation Costs

		Domestic Airmail	Highway Service	Railroad Service	Domestic Water	Total
Test Year Cost Adjustments						
Total Parcel Post Base Year Costs	1/	\$89,647	\$176,439	\$33,701	\$4,899	\$304,686
Total Parcel Post Test Year Costs	2/	\$115,665	\$170,676	\$39,820	\$5,914	\$332,075
Percentage Increase	3/	29.02%	-3.27%	18.16%	20.72%	8.99%
Base year Alaska non-pref air costs	4/	\$82,495				
Test year Alaska non-pref air costs	5/	\$106,437				
Adjusted Parcel Post Test Year Costs	6/	\$9,228	\$170,676	\$39,820	\$5,914	\$225,638
Parcel Post Costs by Function						
Base Year Local Cost Percentage	7/	0.00%	21.62%	0.00%	2.27%	
Base Year Intermediate Cost Percentage	8/	64.46%	50.37%	0.34%	97.73%	
Base Year Long Distance DR Percentage	9/	21.86%	28.01%	99.66%	0.00%	
Base Year Long Distance NDR Percentage	10/	23.68%	0.00%	0.00%	0.00%	
Test Year Local Costs	11/	\$0	\$36,901	\$0	\$134	\$37,035
Test Year Intermediate Costs	12/	\$5,948	\$85,973	\$137	\$5,780	\$97,838
Test Year Long Distance DR Costs	13/	\$1,094	\$47,802	\$39,683	\$0	\$88,580
Test Year Long Distance NDR Costs	14/	\$2,185	\$0	\$0	\$0	\$2,185
Test Year Total Long Distance Costs	15/	\$3,279	\$47,802	\$39,683	\$0	\$90,765
Postal Owned Vehicle Costs						
Test Year Postal Owned Vehicle Costs	16/					\$30,687
Piggyback Factor	17/					1.54678
Total Postal Owned Vehicle Costs	18/					\$47,466
Adjusted Test Year Local Costs	19/					\$84,501

Row 1/: Total transportation cost by mode from base year purchased transportation cost report (Alexandrovich WP B.14.).

Row 2/: Total transportation cost by mode from test year roll-forward (Patelunas WP E, Table D).

Row 3/: (Row 2 - row 1) / row 1.

Row 4/: Base year purchased transportation cost report, Alaska non-pref air costs (Alexandrovich WP B.14.).

Row 5/: Row 4 * (1 + row 3).

Row 6/: Row 2 - row 5.

Row 7/: Appendix I, page 11, column 2, local cost percentages by mode.

Row 8/: Appendix I, page 11, column 3, intermediate cost percentages by mode.

Row 9/: Appendix I, page 11, column 4, long distance (distance related) cost percentages by mode.

Row 10/: Appendix I, page 11, column 5, long distance (non-distance related) cost percentages by mode.

Row 11/: Row 7 * row 6.

Row 12/: Row 8 * row 6.

Row 13/: Row 9 * row 6.

Row 14/: Row 10 * row 6.

Row 15/: Row 13 + row 14.

Row 16/: Patelunas WP E, Table D.

Row 17/: USPS LR-H-77.

Row 18/: Row 16 * row 17.

Row 19/: Row 18 + total of row 11.

Parcel Post Transportation Costs By Rate Category and Zone**Calculation of Inter-BMC Transportation Costs per Cubic Foot by Zone****Inter-BMC parcel transportation costs by function and distance relation**

Local costs incurred by inter-BMC parcels (non-distance related)	\$26,934 1/
Intermediate costs incurred by inter-BMC parcels (non-distance related)	\$32,263 2/
Long distance costs incurred by inter-BMC parcels (distance related)	\$88,580 3/
Long distance costs incurred by inter-BMC parcels (non-distance related)	\$2,185 4/
Total inter-BMC parcel costs	\$149,962 5/

Zone	[1] Percentage of inter-BMC cubic feet	[2] Percentage of inter-BMC cubic foot miles	[3] Local costs (000)	[4] Intermediate costs (000)	[5] Long distance costs - DR (000)	[6] Long distance costs - NDR (000)
Local	0.00%	0.00%	\$0	\$0	\$0	\$0
1-2	7.72%	0.97%	\$2,080	\$2,491	\$857	\$169
3	16.37%	4.86%	\$4,408	\$5,281	\$4,305	\$358
4	25.78%	14.17%	\$6,943	\$8,317	\$12,553	\$563
5	23.53%	22.37%	\$6,337	\$7,590	\$19,812	\$514
6	11.08%	15.78%	\$2,985	\$3,575	\$13,982	\$242
7	6.41%	13.27%	\$1,728	\$2,069	\$11,759	\$140
8	9.11%	28.58%	\$2,454	\$2,939	\$25,313	\$199
Total	100.00%	100.00%	\$26,934	\$32,263	\$88,580	\$2,185

Zone	[7] Local unit costs (\$/CF)	[8] Intermediate unit costs (\$/CF)	[9] Long distance - DR unit costs (\$/CF)	[10] Long distance - NDR unit costs (\$/CF)	[11] Total unit costs (\$/CF)	[12] Reconcile to total costs (000)
Local	N/A	N/A	N/A	N/A	N/A	N/A
1-2	\$0.7815	\$0.9361	\$0.3249	\$0.0634	\$2.1028	\$5,596
3	\$0.7815	\$0.9361	\$0.7631	\$0.0634	\$2.5440	\$14,351
4	\$0.7815	\$0.9361	\$1.4128	\$0.0634	\$3.1938	\$28,377
5	\$0.7815	\$0.9361	\$2.4433	\$0.0634	\$4.2242	\$34,254
6	\$0.7815	\$0.9361	\$3.6609	\$0.0634	\$5.4418	\$20,783
7	\$0.7815	\$0.9361	\$5.3492	\$0.0634	\$7.4001	\$15,696
8	\$0.7815	\$0.9361	\$8.0608	\$0.0634	\$9.8418	\$30,905
Total						\$149,962

Row 1/: Appendix I, page 13, row 20.

Row 2/: Appendix I, page 13, row 20.

Row 3/: Appendix I, page 12, row 13.

Row 4/: Appendix I, page 12, row 14.

Row 5/: Row 1 + row 2 + row 3 + row 4.

Column [1]: Appendix II, page 9, column 1, inter-BMC cubic feet in the given zone divided by total inter-BMC cubic feet.

Column [2]: Appendix II, page 9, column 5, inter-BMC cubic foot miles in the given zone divided by total inter-BMC cubic foot miles.

Column [3]: Row 1 * column 1.

Column [4]: Row 2 * column 1.

Column [5]: Row 3 * column 2.

Column [6]: Row 4 * column 1.

Column [7]: Column 3 * 1000 / Appendix II, page 9, column 1 (inter-BMC cubic feet by zone).

Column [8]: Column 4 * 1000 / Appendix II, page 9, column 1 (inter-BMC cubic feet by zone).

Column [9]: Column 5 * 1000 / Appendix II, page 9, column 1 (inter-BMC cubic feet by zone).

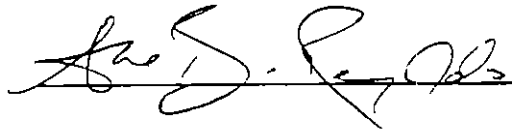
Column [10]: Column 6 * 1000 / Appendix II, page 9, column 1 (inter-BMC cubic feet by zone).

Column [11]: Column 7 + column 8 + column 9 + column 10.

Column [12]: Column 11 * Appendix II, page 9, column 1 (inter-BMC cubic feet by zone).

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "Anne B. Reynolds", written over a horizontal line.

Anne B. Reynolds

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
October 10, 1997